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| RECEIVED 2004 FEB 27 P 2: 38 | THIS AMENDMENT: | | |
| | Passed | Passed as amended by _____ | |
| | Failed | Not Offered | Withdrawn |

AZ CORP COMMISSION
DOCUMENT CONTROL

GLEASON PROPOSED AMENDMENT # 2

TIME/DATE PREPARED: 12:30p.m. / February 27, 2004

COMPANY: Arizona Water Company

AGENDA ITEM NO. U-13

DOCKET NO. W-01445A-02-0619

OPEN MEETING DATE: March 2, 2004

Arizona Corporation Commission

DOCKETED

FEB 27 2004

Page 26, line 26, after the period DELETE the remainder of the line.

DELETE lines 27-28.

Page 27, DELETE line 1. INSERT:

DOCKETED BY

CAH

"In January 2004, the Commission approved an inverted tier rate design for Bonita Creek Water with the first tier – 0 to 2,000 gallons per month; second tier – 2,001 to 8,000 gallons per month; third tier – over 8,001 gallons per month (Decision 66734). For Stratman Water, the Commission set breaks at 0 to 6,000 gallons per month for the first tier; 6,001 to 12,000 gallons per month for the second tier; and over 12,001 gallons per month for the third tier (Decision 65756). For Beaver Valley Water, the Commission established inverted tiers at 0 to 3,000 gallons per month; 3,001 to 12,000 gallons per month; and over 12,001 gallons per month (Decision 66388). Arizona Water testified that $\frac{5}{8} \times \frac{3}{4}$ inch meter customers constitute 98 percent of all customer growth during the test year (Ex. A-12, at 16). Therefore, it is appropriate that the Commission establish tiers that effectively incent these same customers to conserve water. For these reasons, the Commission adopts the following inverted tier rate structure for Arizona Water's Eastern Group: first tier – 0 to 5,000 gallons per month; second tier – 5,001 to 15,000 gallons per month; third tier – over 15,001 gallons per month."

Page 38, line 27, after the period, INSERT, "Arizona Water shall redesign its commodity rates in a manner consistent with this Order. Furthermore, this rate design shall reflect the approved rate of return for the respective rate bases. The Company shall submit its redesigned rates to the Commission within 30 days. Intervenor shall have fifteen days in which to file comments on the Company's proposed rates. The Commission shall consider these rates at a subsequent Open Meeting."

Page 39, DELETE Findings of Fact 22-26.

Page 40, DELETE Findings of Fact 27-30.

Page 41, after line 14, INSERT:

"IT IS FURTHER ORDERED that Arizona Water shall redesign its commodity rates in a manner consistent with this Order. Furthermore, this rate design shall reflect the approved rate of return for the respective rate bases. The Company shall submit its redesigned rates to the Commission within 30 days. Intervenors shall have fifteen days in which to file comments on the Company's proposed rates. The Commission shall consider these rates at a subsequent Open Meeting."